



MARKETING^{NPV}



BetterManagement Presents Marketing Measurement Today A Webcast Series

Technical Requirements

- Access webcast using Microsoft Internet Explorer
- Disable any pop-up blockers to participate in polling
- Audio streaming available via the web
- Audio Bridge Option: 866-200-5830 or 212-659-4210
- Audio Bridge PIN: 734764#
 - Dial *0 once connected to speak with an operator

BetterManagement Presents ***Marketing Measurement Today***

Bridging Short- and Long-Term Paybacks in Marketing Measurement

**Presented in
Association with:**



Featuring:
Pat LaPointe
Managing Partner,
MarketingNPV

Visionary perspectives for management insights

Marketing Measurement Today

Presented in Association with:



Measure what you should, not what you can.

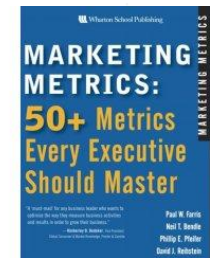
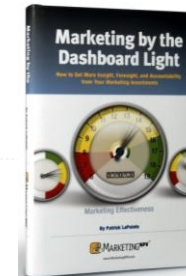


Bridging Short- and Long-Term Payback Horizons



Who We Are

- Specialized Advisory Firm – No Conflicts of Interest
- Exclusive focus on marketing measurement
- Publishers of the *MarketingNPV Journal*
- Advisors to Global 1000 clients including:



Our work has been published and recommended by:



What We Do

We deliver skills, tools, and processes to continuously improve marketing effectiveness and efficiency; establishing clear links between marketing investments and financial value creation.

Setting & Allocating Budgets

How much should we spend?

Where do we spend our available \$'s by Product/Geo/Segment?

Which non-cash currencies are crucial?

- Brand Equity
- Customer Value

Strategic Resource Allocation

Shorter term, how do we get the most impact from each Marketing \$ spent?

By Mix/Campaign/Initiative

Tactical Resource Optimization

What if ?

Performance Measurement

Insight Dashboards

Metric Selection
Benchmarks & Forecasts
Navigation & Design
Analysis Process
Data Structures

Change Management

- Cross-functional alignment with finance, sales, and other business units
- Internal alignment in marketing
- Planning process integration
- Knowledge acquisition priorities
- Decision rights evolution
- Training for users and managers
- Internal communications
- Recognition, rewards, and incentives for adoption



The Challenge

Developing productive communication between CMO and CFO when the long-term payback isn't clear and the short-term payback isn't sufficient.



No Silver Metric

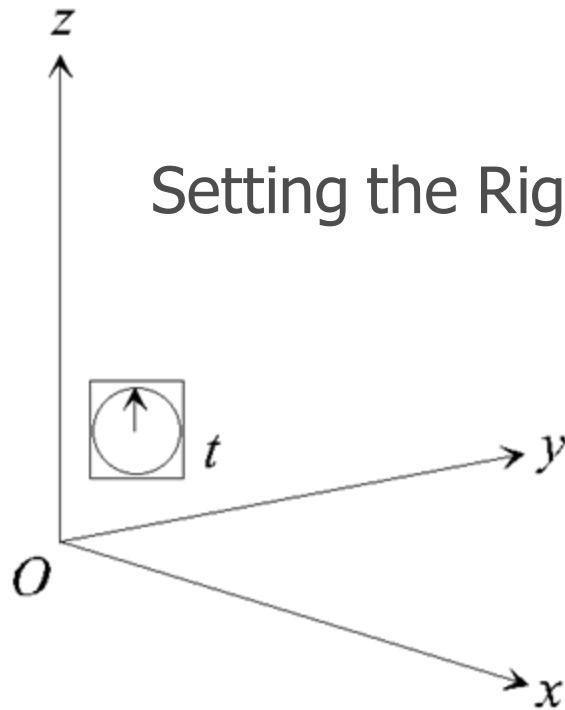
- ROI isn't it.
- NPV is closer
- Requires a blend of metrics covering important dimensions



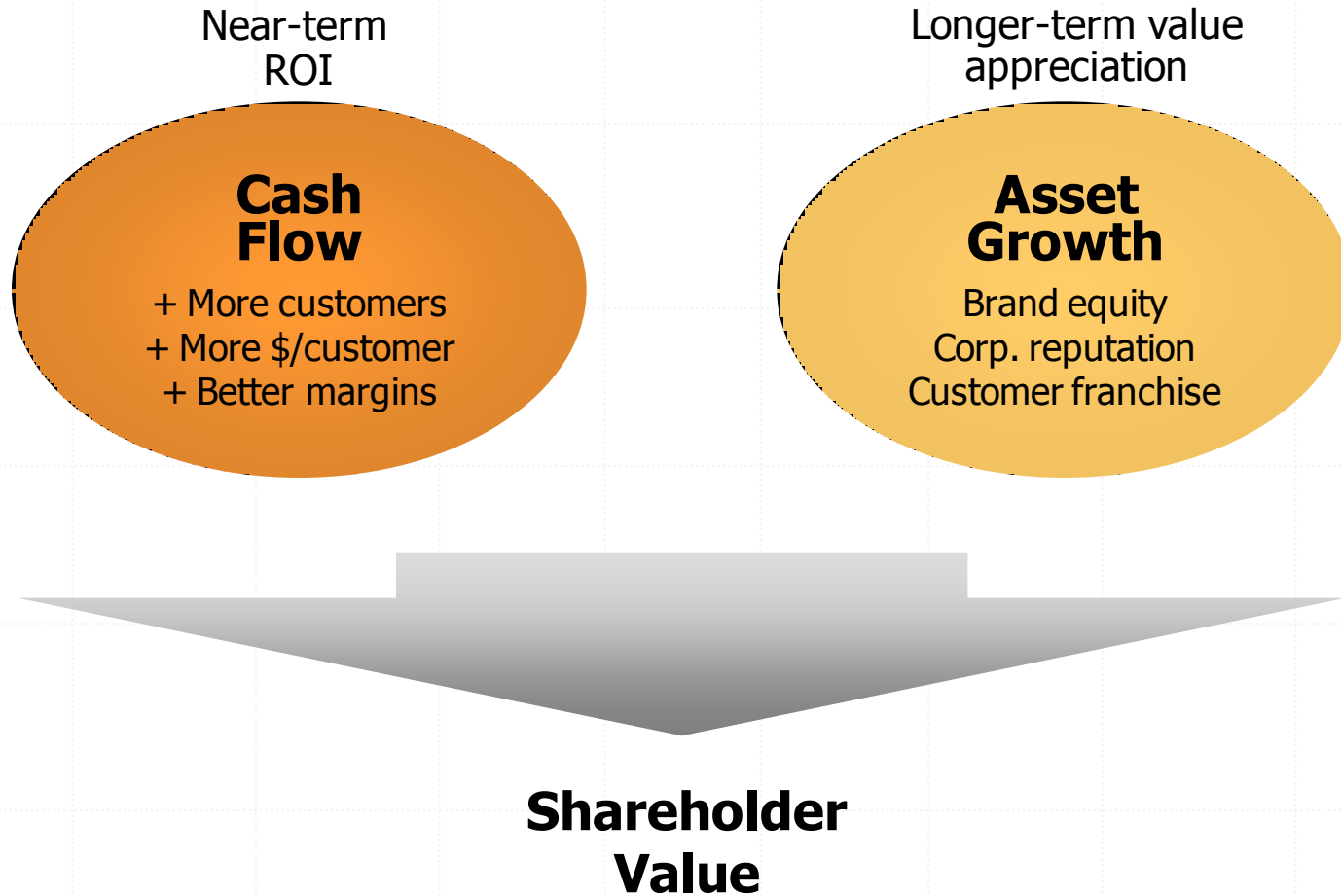
Unlike finance, no standards that apply across companies or industries



Setting the Right Frame of Reference

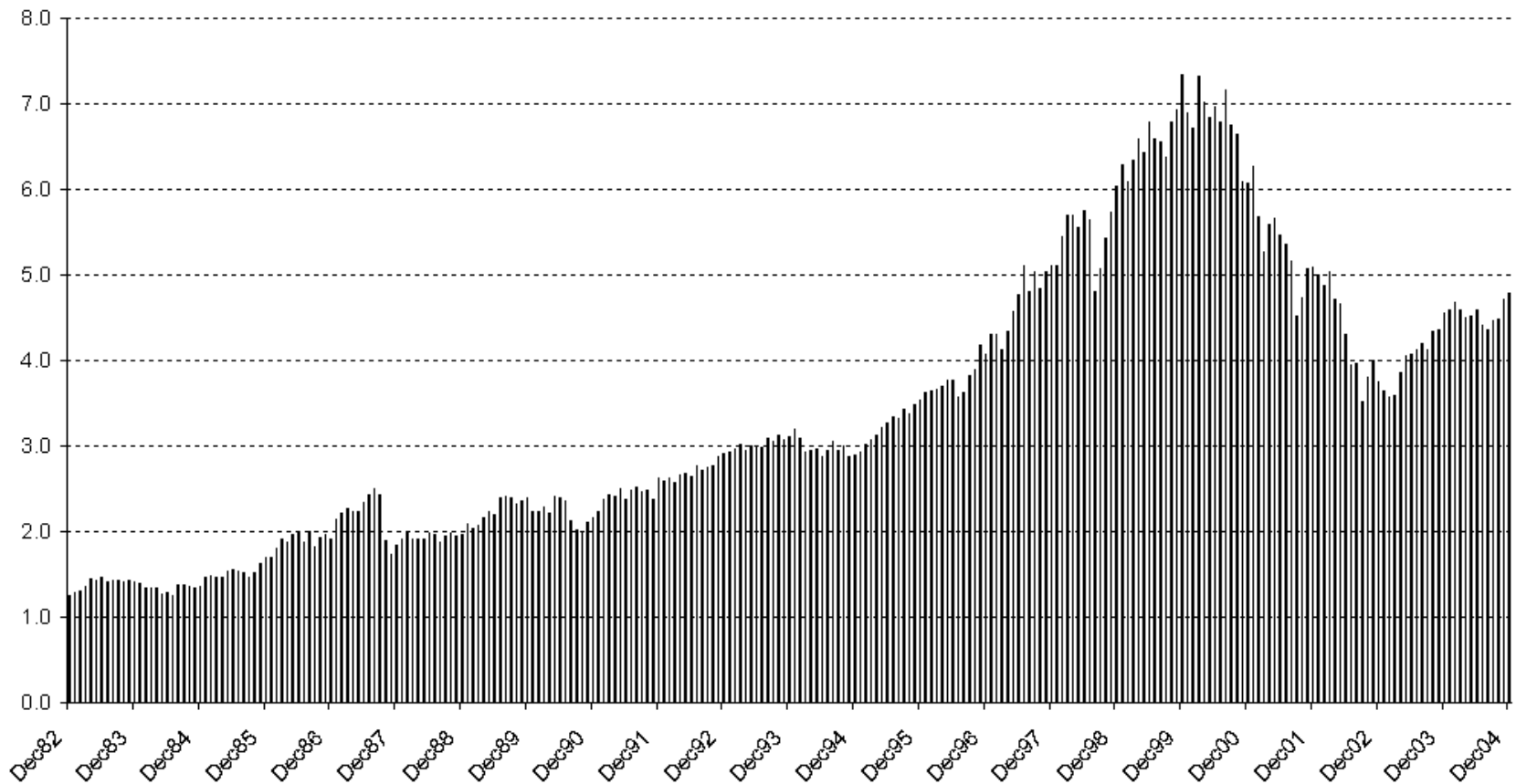


The “Real” Role of Marketing



Growing Importance of Intangible Assets

S&P 500 - Market to Book Ratio (end month 12/82 to 12/04)

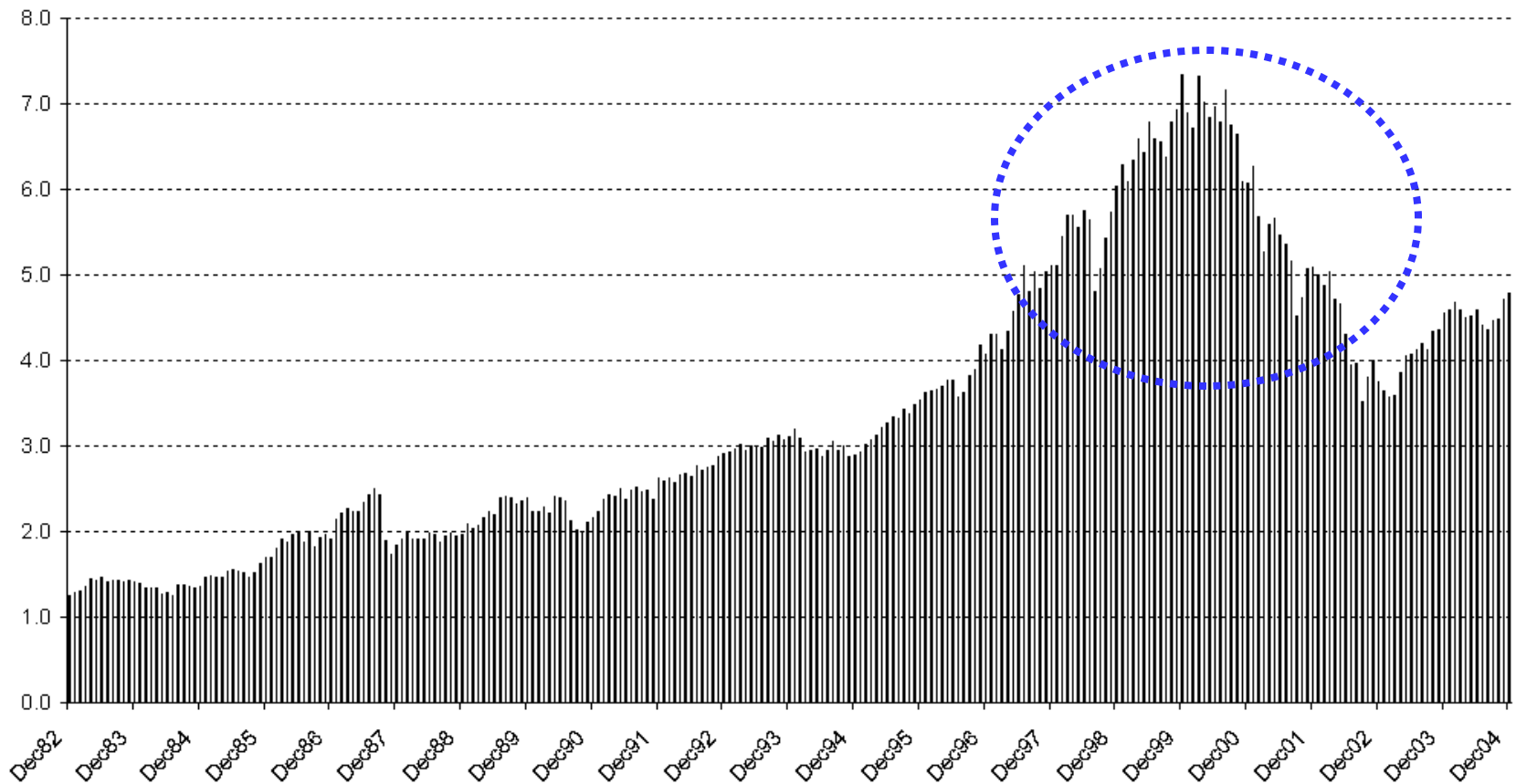


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Growing Importance of Intangible Assets

S&P 500 - Market to Book Ratio (end month 12/82 to 12/04)

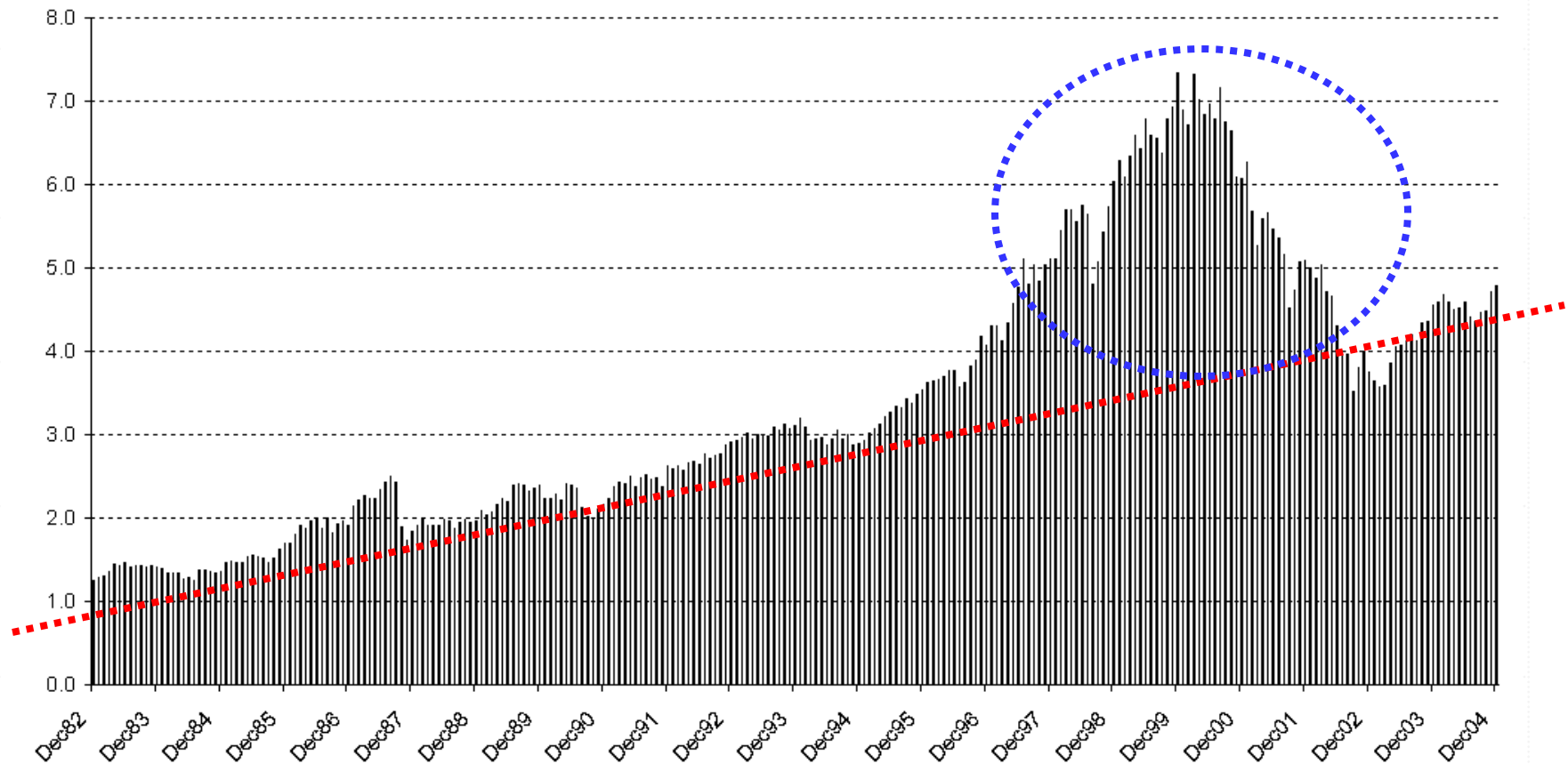


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Growing Importance of Intangible Assets

S&P 500 - Market to Book Ratio (end month 12/82 to 12/04)



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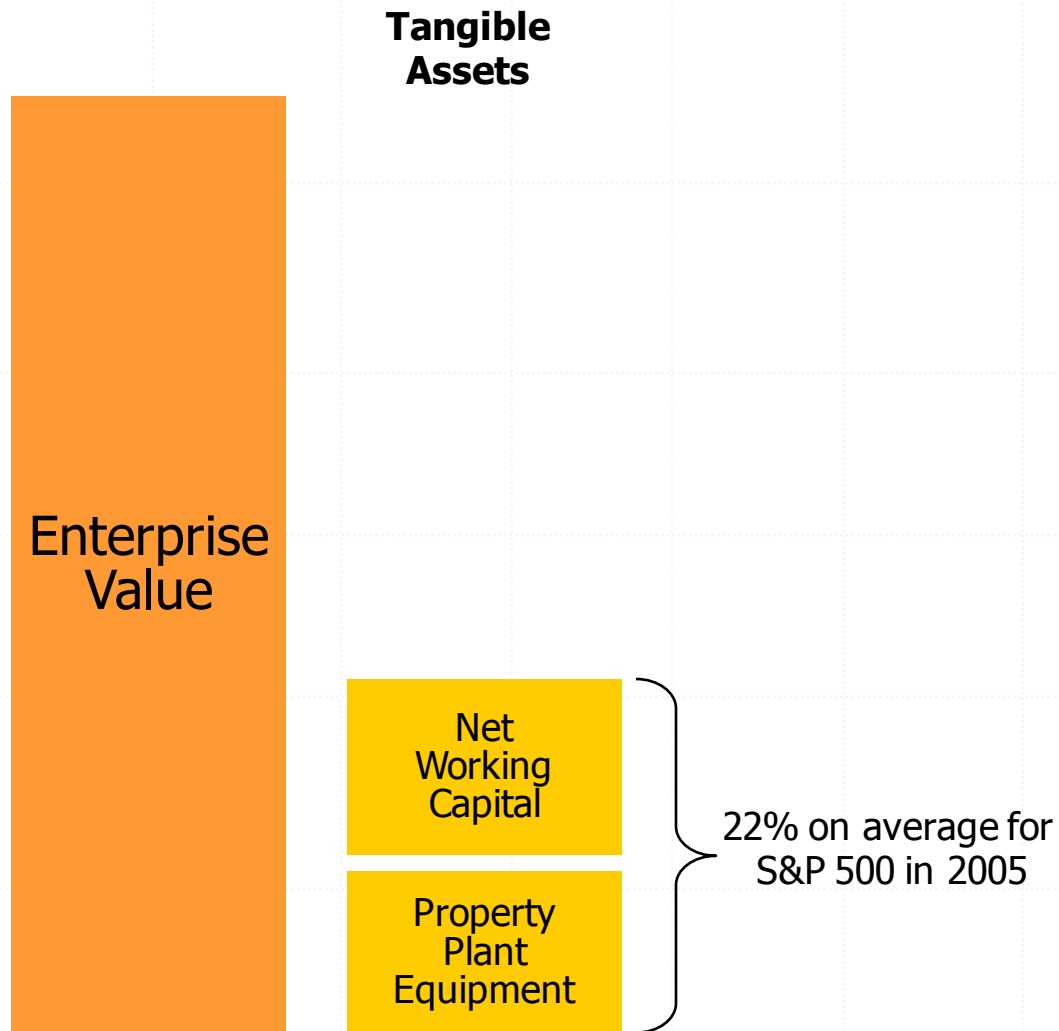


Marketing's Contribution to Shareholder Value

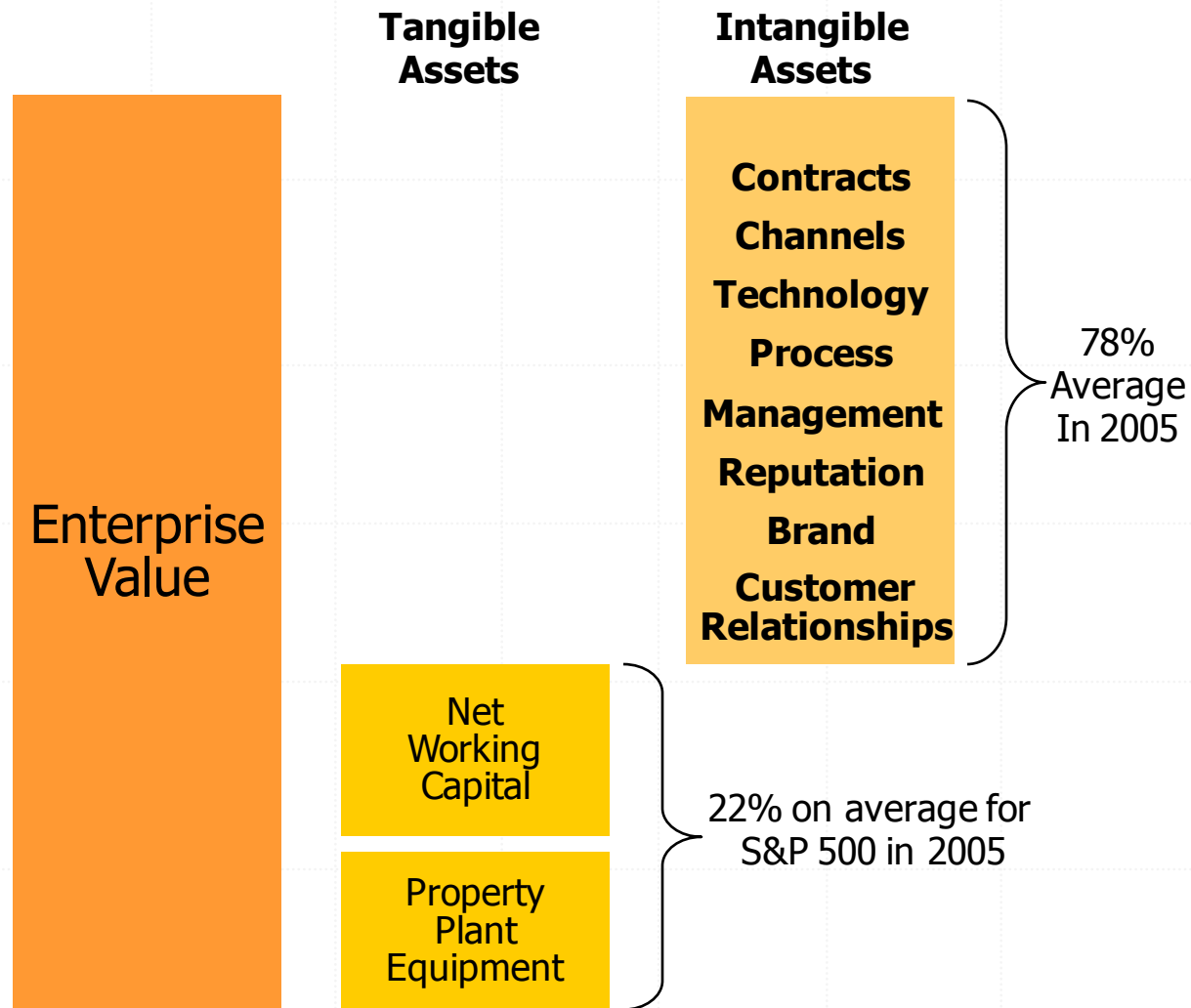
Enterprise
Value



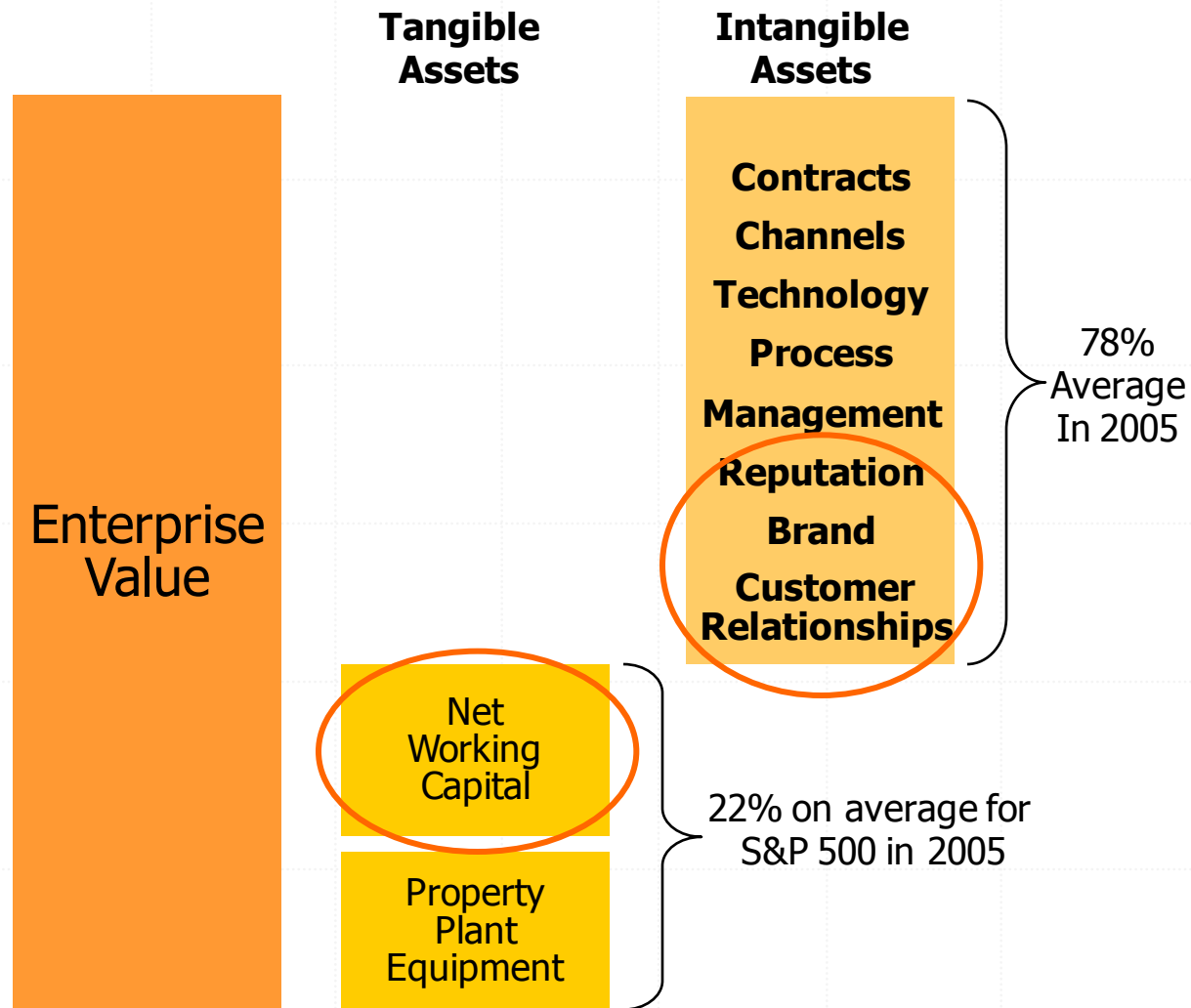
Marketing's Contribution to Shareholder Value



Marketing's Contribution to Shareholder Value



Marketing's Contribution to Shareholder Value



Mind the GAAP

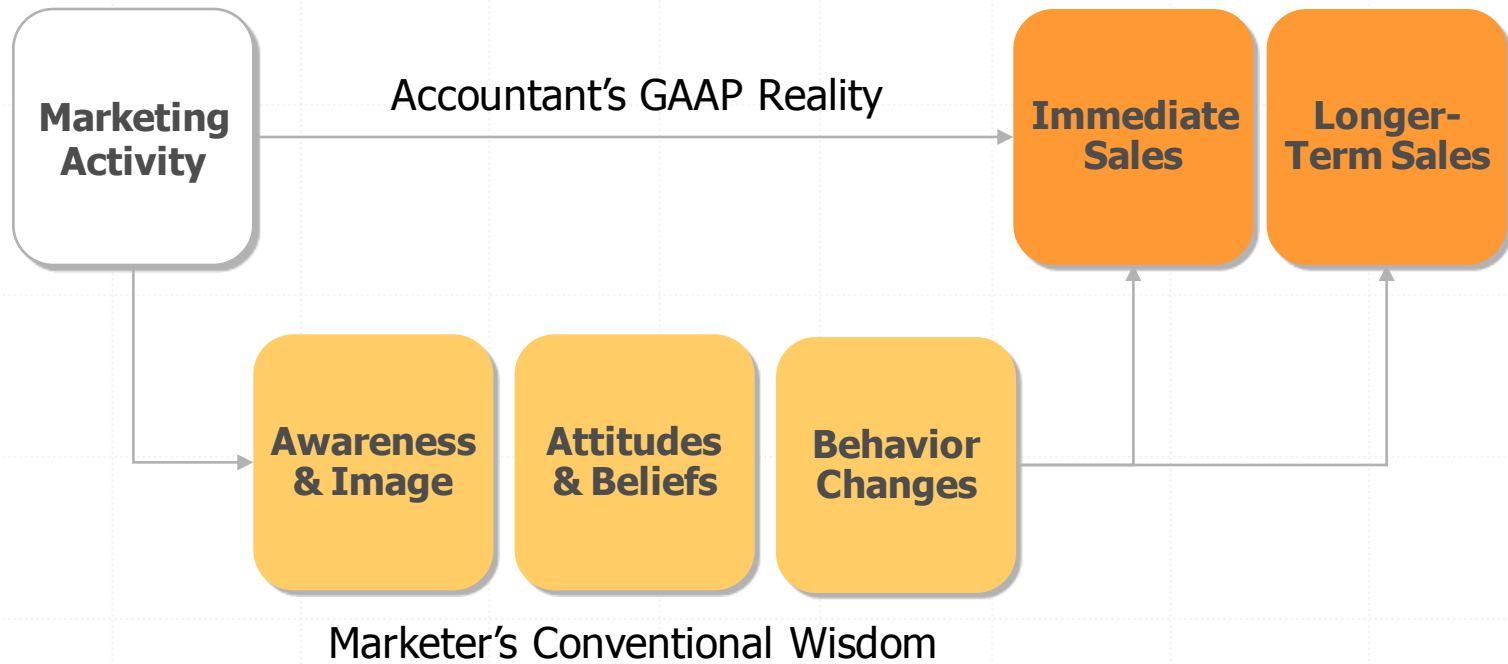


Marketer's Conventional Wisdom

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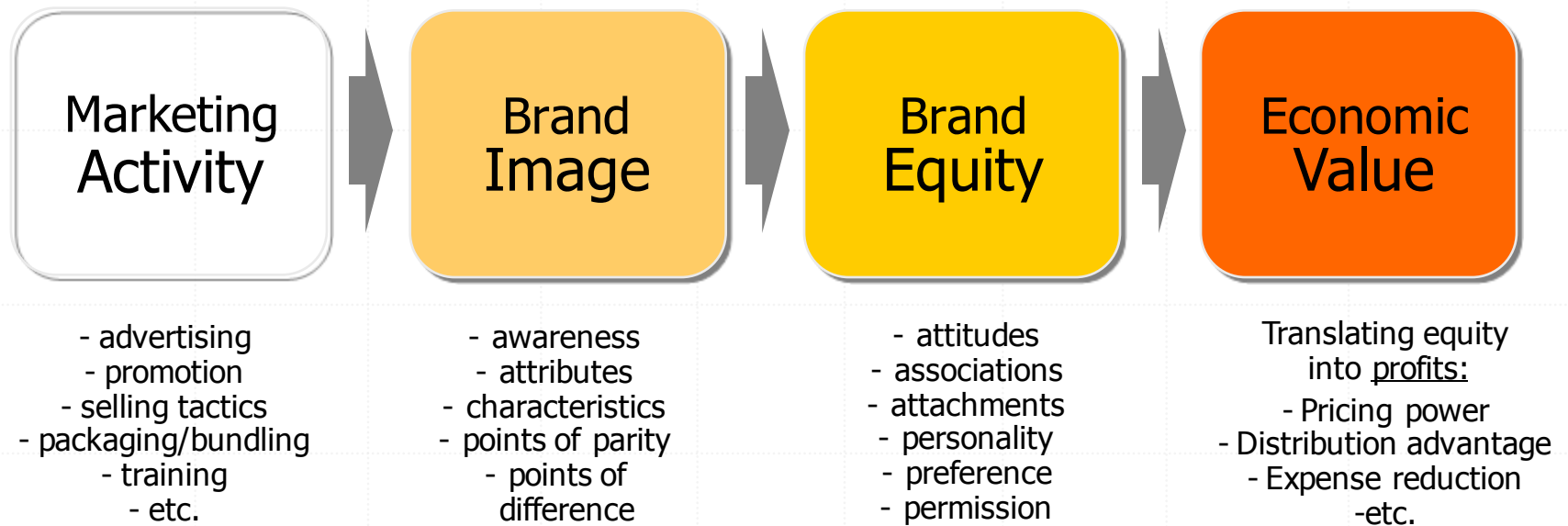
Mind the GAAP



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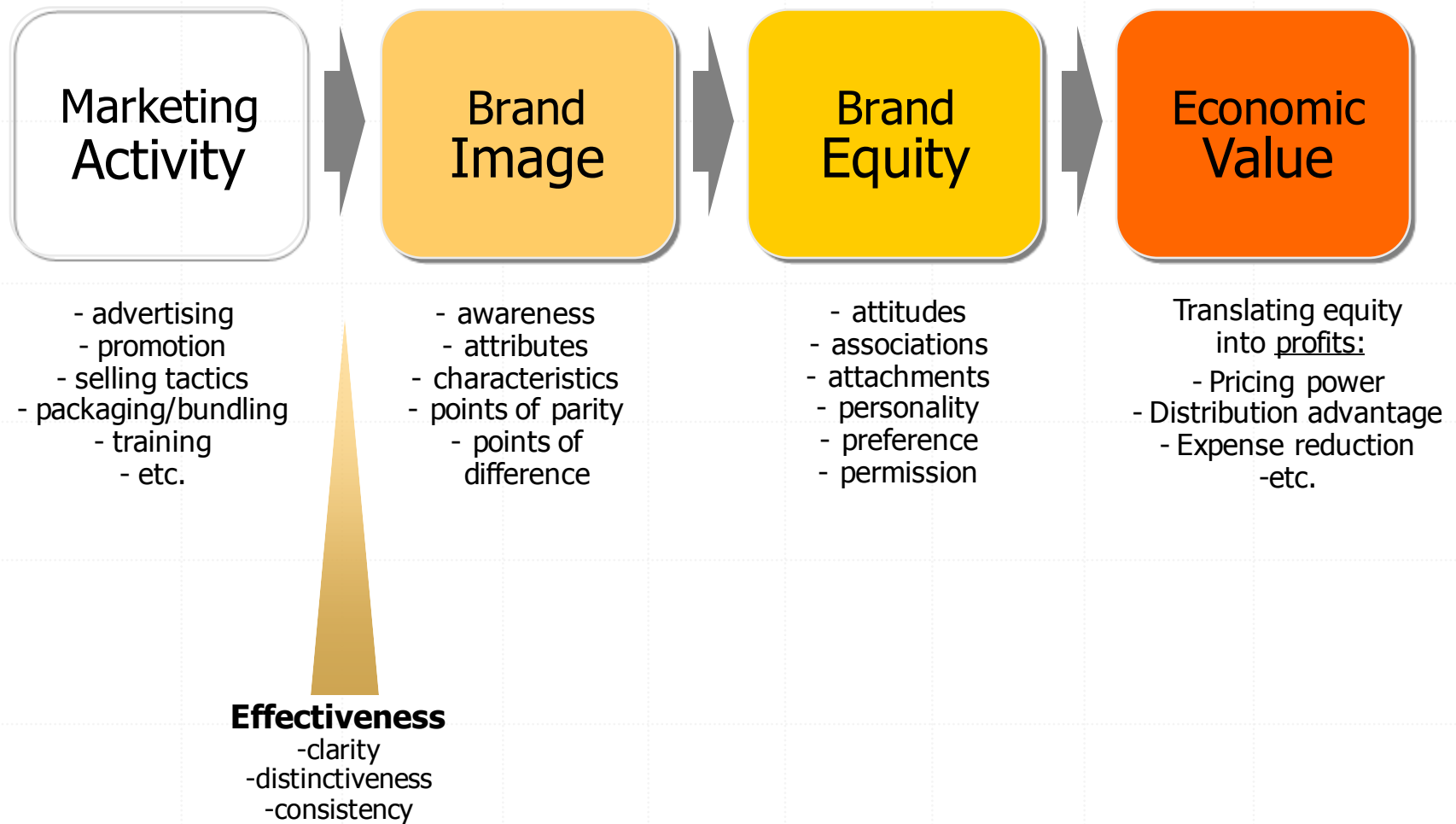


Linking Branding Investments to Value Creation



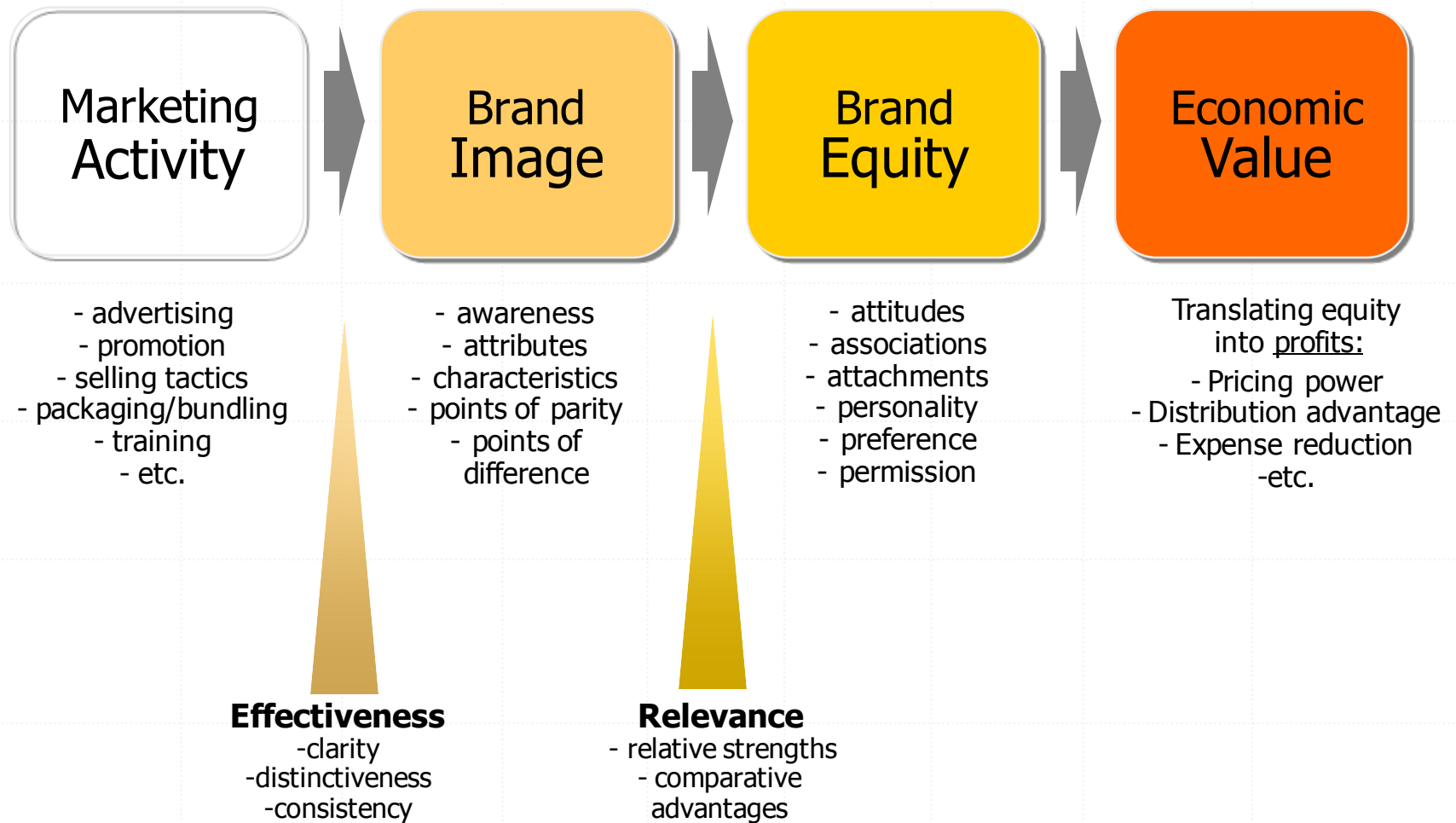
Adapted from Kevin Lane Keller's Brand Value Chain

Linking Branding Investments to Value Creation



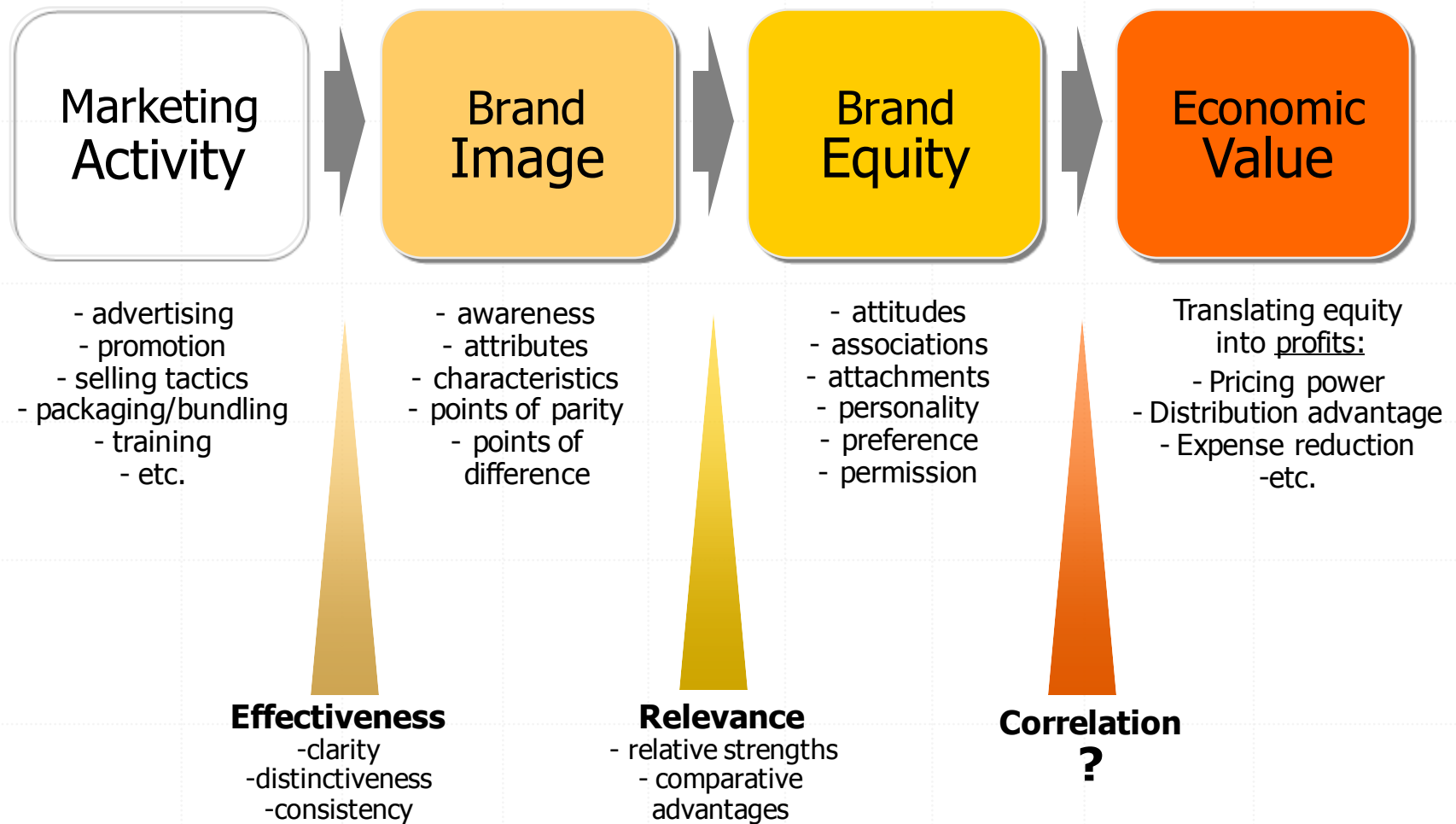
Adapted from Kevin Lane Keller's Brand Value Chain

Linking Branding Investments to Value Creation



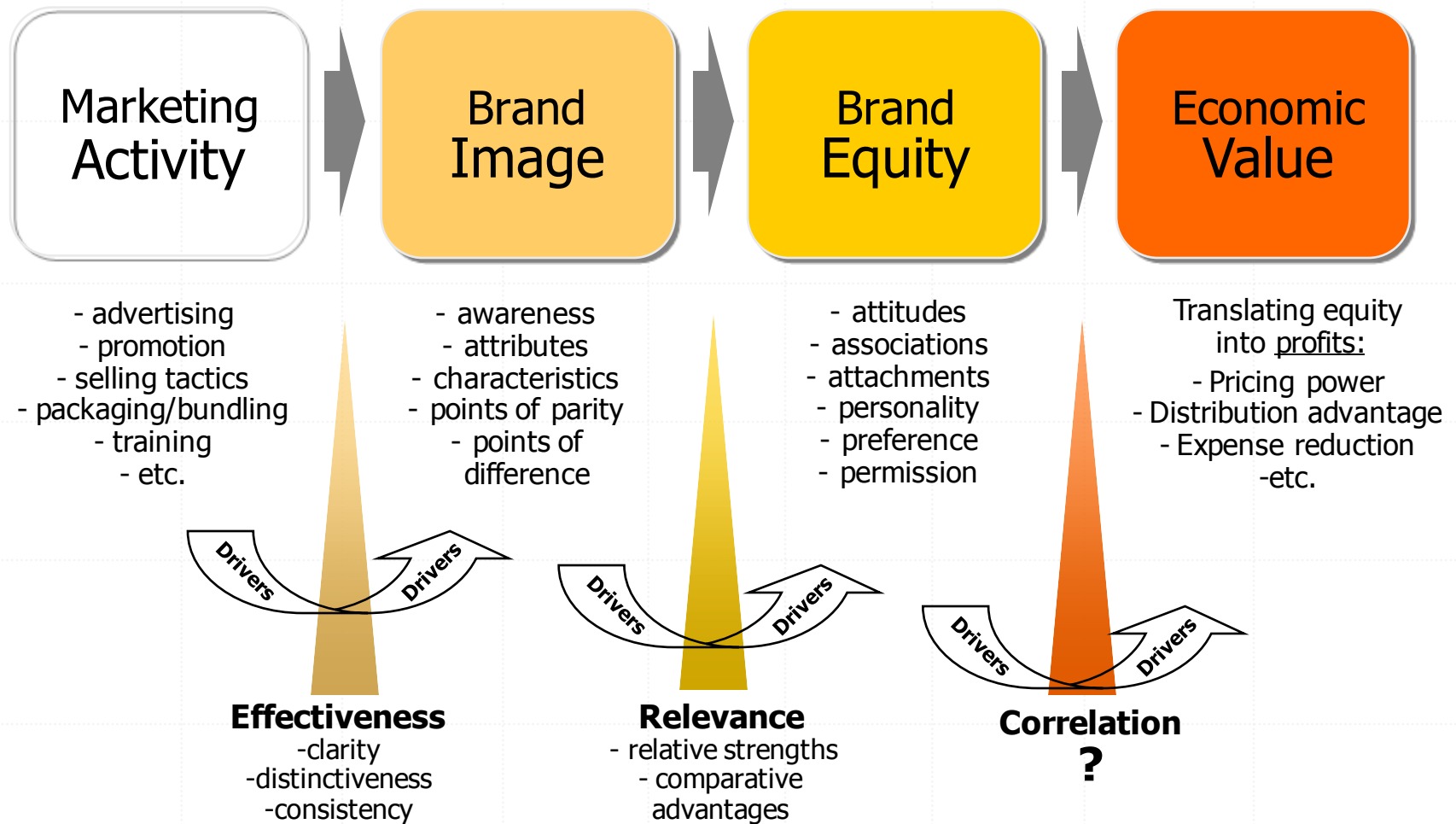
Adapted from Kevin Lane Keller's Brand Value Chain

Linking Branding Investments to Value Creation



Adapted from Kevin Lane Keller's Brand Value Chain

Linking Branding Investments to Value Creation



Adapted from Kevin Lane Keller's Brand Value Chain

Don't Waste Time on Brand Valuation

Reasons to place a value on a brand:

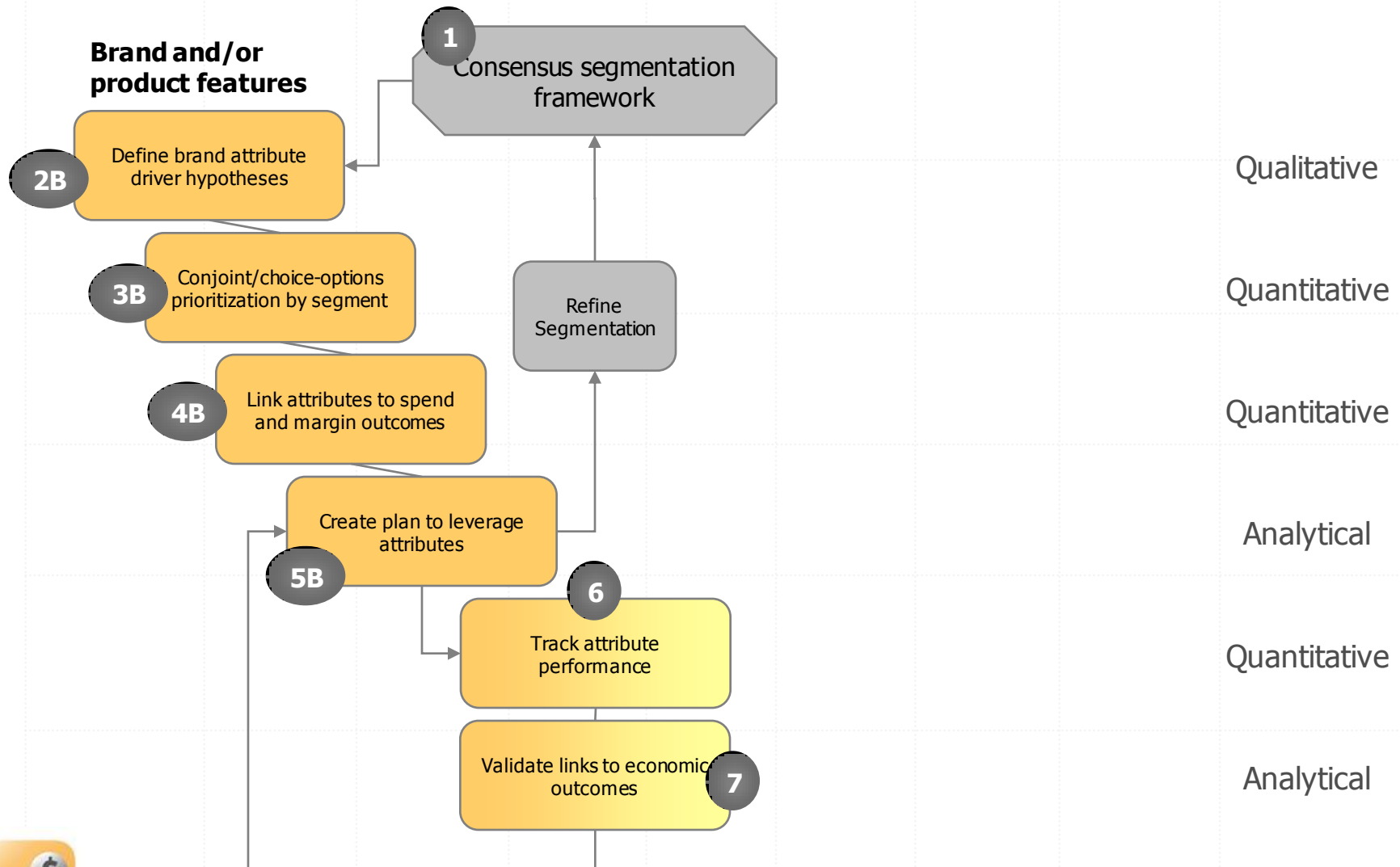
- M&A Activity: Buying or selling brands requires a valuation. Assets acquired need to be carried on balance sheets until "impaired".
- Securitization: A complex tax transaction.
- Licensing and Franchising: Equity that the brand enjoys in the minds (and behaviors) of its target audiences translates into royalty rates.

Ways to value a brand:

- Cost Plus
 - Costs of designing, registering and promoting the brand, plus cost of capital over that time period.
- Replacement Cost
 - Cost to recreate from scratch, today
- Market Value
 - Comparable transactions in the market
- "Bottom-Up"
 - Modelling impact on market cap.
 - FutureBrand – price premium X brand strength
 - CoreBrand – brand equities X free cashflows branded vs. unbranded
- Royalty relief
 - Earnings split



Framework for Linking Brand Driver Attributes to Value Creation



Building a Bridge Between Cashflow and Customer Assets

Customer Franchise Value™

CFV = NPV (Current Customer Base)

CFV = #Customers x CLTV (Customer Lifetime Value)

Acquisition

Retention

Spend

Referral

Depth

Breadth

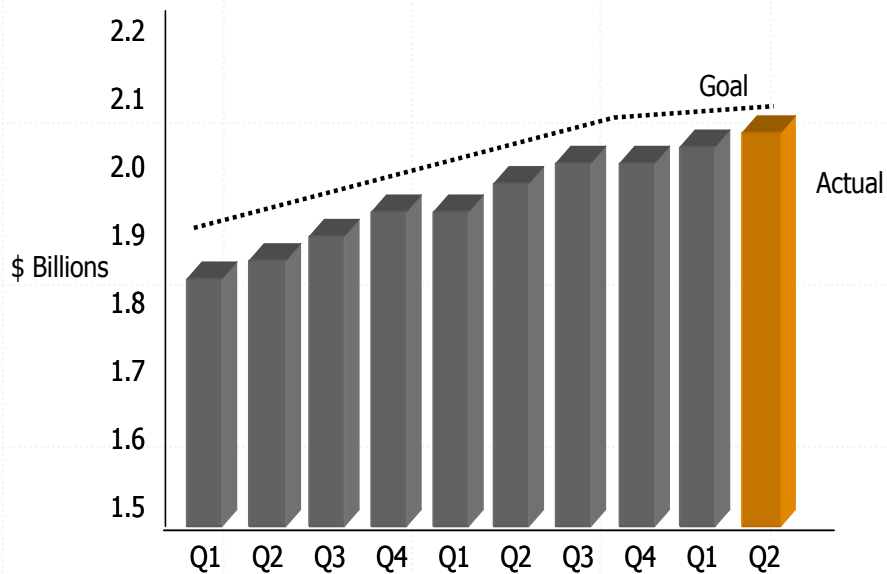
Pricing



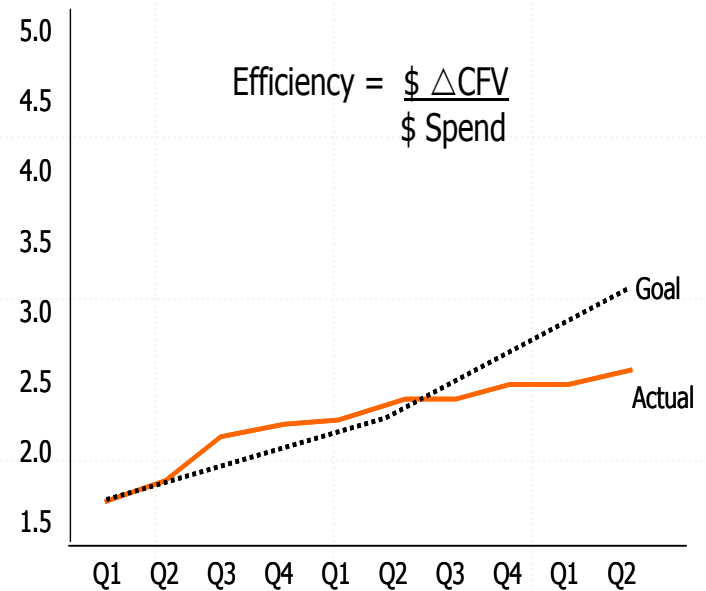
CFV Provides a Measure of Effectiveness and Efficiency

Effectiveness =

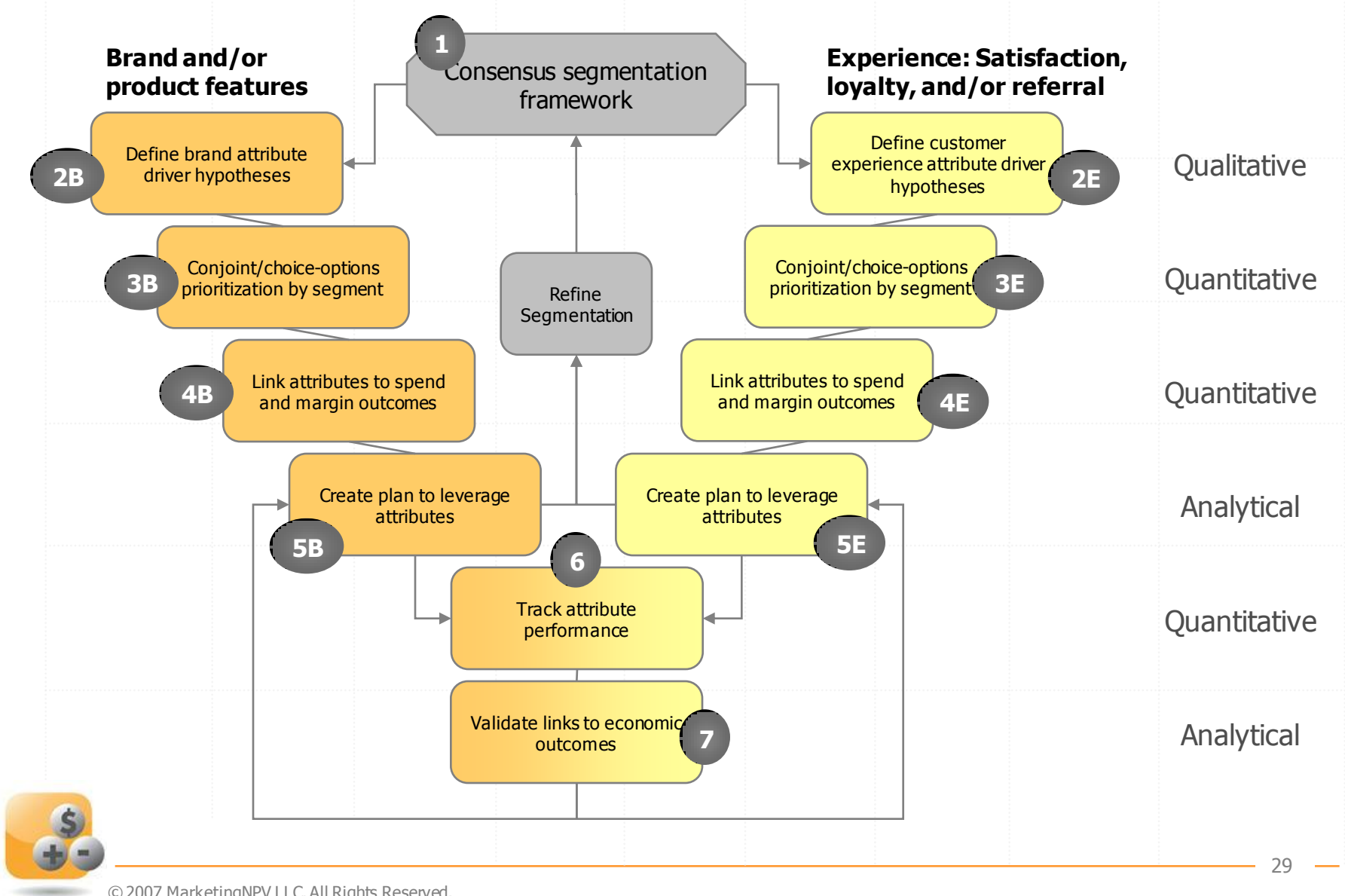
Actual ΔCFV ($\text{CFV}_t - \text{CFV}_{(t-1)}$) vs. Expected ΔCFV



Efficiency = $\frac{\$ \Delta\text{CFV}}{\$ \text{Spend}}$



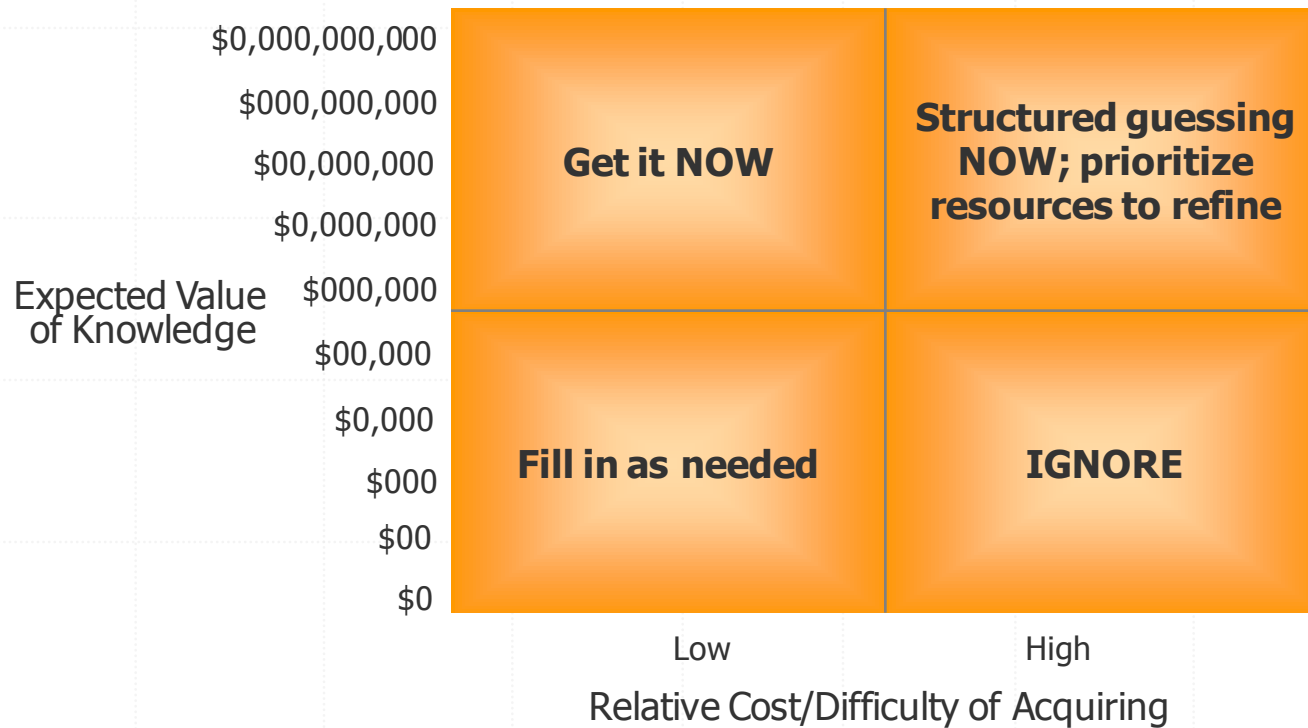
Taking it a Level Down: Framework for Linking Driver Attributes to Value Creation



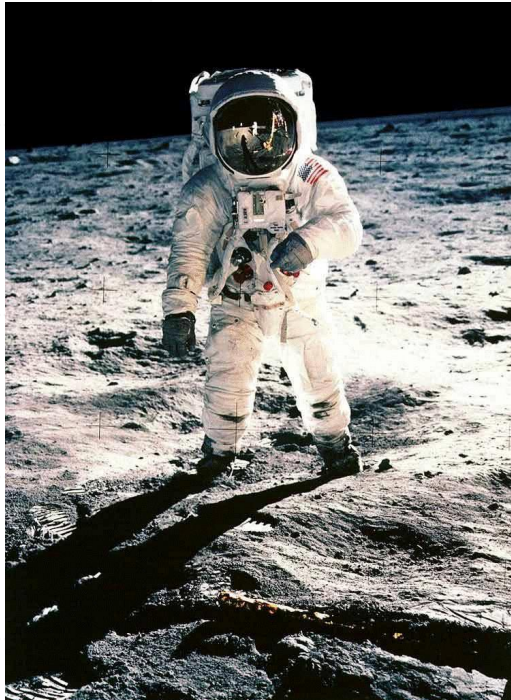
Making smart guesses to fill
data gaps in the short term



First Things First: Decide What Matters Most



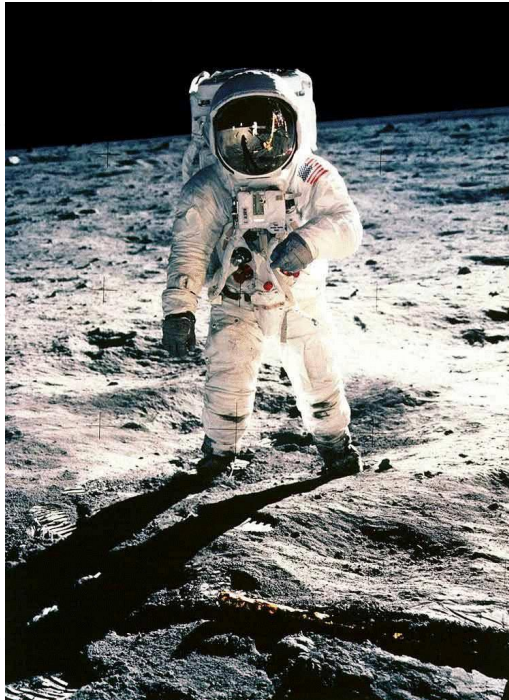
Closing Knowledge Gaps



How did NASA put a
Man on the Moon?



Closing Knowledge Gaps



How did NASA put a
Man on the Moon?

1. Break big problems into smaller component parts.
2. Identify the “known unknowns”.
3. Create a process for extracting expert opinions to form hypotheses (aka assumptions).
4. Assess the relative importance of and relationships between hypotheses.
5. Beginning with highest priority “unknowns”, conduct experiments to validate individual hypotheses.
6. Assess the risk/value of further testing or research by reviewing with experts and key stakeholders.
7. Repeat for all priority “unknowns”.
8. Reassemble the big picture



Progress Comes in Stages



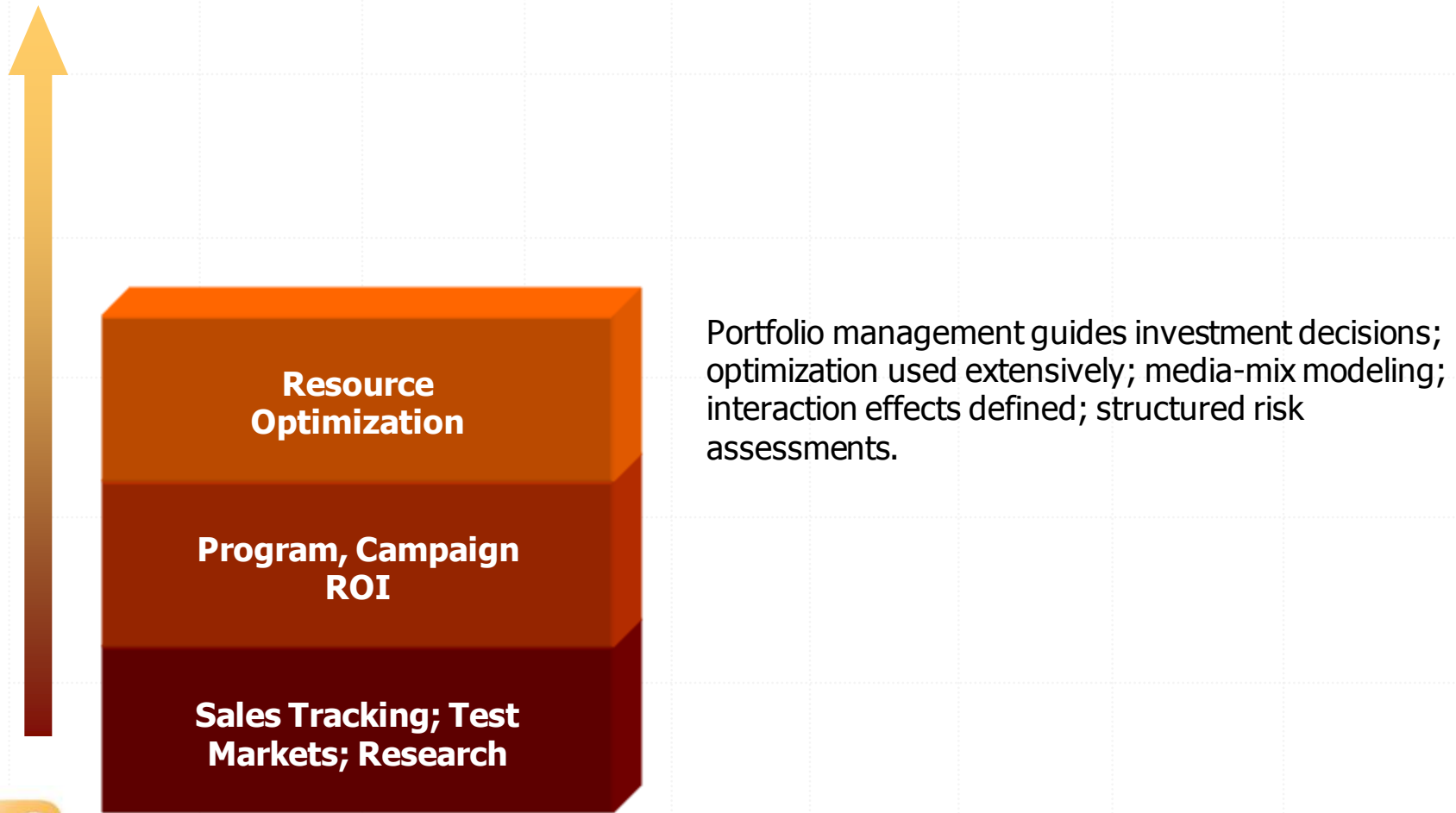
**Sales Tracking; Test
Markets; Research**



Progress Comes in Stages



Progress Comes in Stages

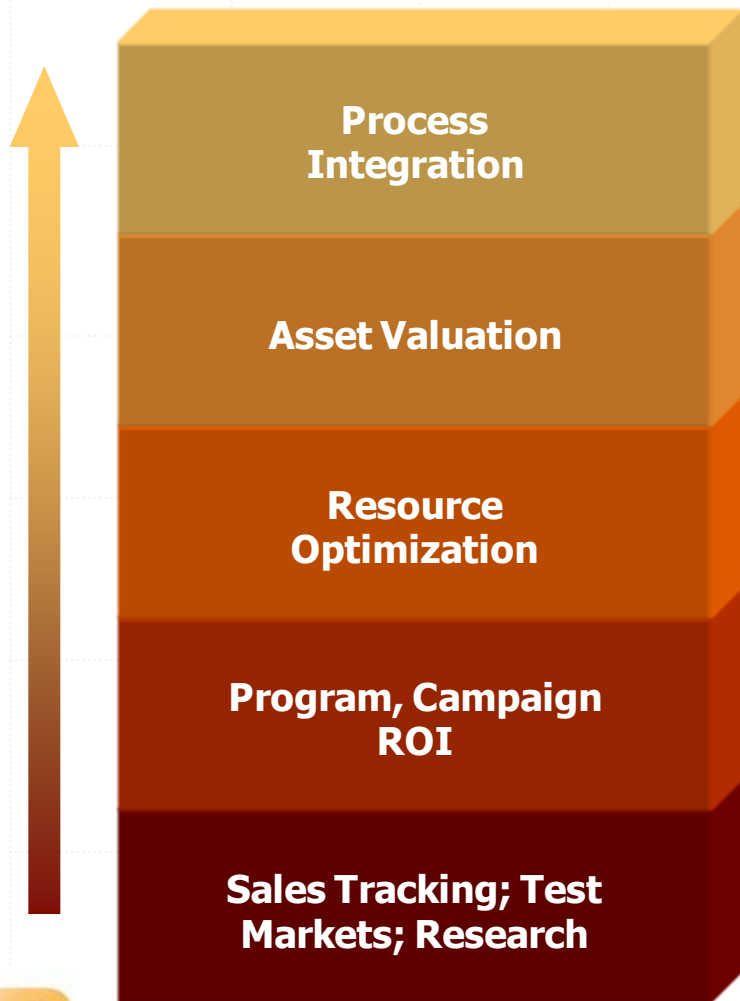


Progress Comes in Stages



Financial links between brand equity attributes and customer attitude/perceptions bridge short- and long-term payback analysis.

Progress Comes in Stages



Measurement integrated into planning process; unified processes for structured guessing; broad cross-functional support and adoption.



Key Points

- Marketing performance measurement is as much about organizational clarity, alignment, and stakeholdering as it is about research, analytics, or data collection.
 - There are no “right” answers, only better ways to learn faster
- Establish the right frame of reference.
- Develop a vision of where you want to get to and a roadmap of how, then measure your progress along the way.
- Focus dialogue on short vs. long-term on a financial context, not just a strategic one.
- Expect to evolve in stages, building competency and credibility along the way.



We built a model that projected your performance for the next five years. You're fired.





Bridging Short- and Long-Term Payback Horizons

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Please include your name, title, company name, and email.



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Question & Answer Session



Marketing Measurement Today

Bridging Short- and Long-Term Paybacks in Marketing Measurement

**Thank You for Attending
Today's Audio Seminar**

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